

COUNTY OF SAN BERNARDINO
CALIFORNIA
SPECIAL DISTRICTS
AUDIT REPORT
COUNTY SERVICE AREA NO. 60
APPLE VALLEY AIRPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Prepared by:

Internal Audits Section
Office of the Auditor/Controller-Recorder
October 7, 2005

County of San Bernardino Special Districts
County Service Area No. 60
Apple Valley Airport

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ELIZABETH A. STARBUCK
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Assistant County Clerk

Independent Auditor's Report

October 7, 2005

John William Ingraham, Director
Department of Airports
825 East Third Street
San Bernardino, CA 92415-0831

**SUBJECT: AUDIT OF COUNTY SERVICE AREA NO. 60 – APPLE VALLEY
AIRPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Introductory Remarks

In compliance with Section 26909 of the California Government Code, we have completed an audit of County Service Area No. 60 – Apple Valley Airport for the fiscal year ended June 30, 2005.

Auditor's Report

We have audited the accompanying financial statements of the business-type activities of the County of San Bernardino Special District County Service Area No. 60 – Apple Valley Airport (CSA), a component unit of the County of San Bernardino, California, as of and for the year ended June 30, 2005. These basic financial statements are the responsibility of the CSA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the minimum audit requirements and reporting guidelines for California Special Districts required by the Office of the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial

AudRpt/John William Ingraham, Director
Department of Airports
October 7, 2005
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statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the CSA as of June 30, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and the state regulations governing Special Districts.

The CSA has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By:

Howard M. Ochi, CPA
Chief Deputy Auditor

Quarterly copies to:

County Administrative Office
Board of Supervisors
Grand Jury (2)

Audit File (3)

Date Report Distributed: 6/27/06

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County of San Bernardino
County Service Are No. 60 - Apple Valley Airport
Statement of Net Assets
June 30, 2005

	<u>Enterprise Fund</u> <u>Airport</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,106,436
Other receivable	5,388
Taxes receivable	83,950
Interest receivable	39,216
Grant receivable	27,181
Total current assets	<u>6,262,171</u>
Noncurrent assets:	
Other receivable	143,675
Capital assets:	
Land	3,076,135
Construction in progress	1,113,824
Improvements to land	3,740,428
Structures and improvements	1,676,006
Equipment and vehicles	332,675
Less accumulated depreciation	<u>(2,626,501)</u>
Total noncurrent assets	<u>7,456,242</u>
Total assets	<u><u>\$ 13,718,413</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 14,798
Salaries and benefits payable	38,394
Retentions payable	41,365
Due to other government	4,725
Deferred revenue	15,696
Total liabilities	<u>114,978</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,312,567
Unrestricted	6,290,868
Total net assets	<u>13,603,435</u>
Total liabilities and net assets	<u><u>\$ 13,718,413</u></u>

The notes to the financial statements are an integral part of this statement.

County of San Bernardino
County Service Are No. 60 - Apple Valley Airport
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2005

	<u>Enterprise Fund Airport</u>
OPERATING REVENUES	
Charges for services	\$ 173,309
Total operating revenues	<u>173,309</u>
OPERATING EXPENSES	
Salaries and benefits	471,614
Professional services	103,152
Services and supplies	118,845
Utilities	52,166
Rents and leases	16,476
Depreciation	<u>263,583</u>
Total operating expenses	<u>1,025,836</u>
Operating Income (Loss)	<u>(852,527)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest	124,521
Property taxes	1,128,003
Other taxes	246,722
State aid	10,000
Federal aid	68,106
Gain (loss) on sale of capital assets	550
Other nonoperating revenues	<u>10,023</u>
Total nonoperating revenues (expenses)	<u>1,587,925</u>
Change in net assets	735,398
Total net assets - beginning	<u>12,868,037</u>
Total net assets - ending	<u>\$ 13,603,435</u>

The notes to the financial statements are an integral part of this statement.

County of San Bernardino
County Service Are No. 60 - Apple Valley Airport
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005

	<u>Enterprise Fund Airport</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from user charges	\$ 181,331
Payments to employees for services and benefits	(463,529)
Payments to suppliers for goods and services	<u>(285,953)</u>
Net cash provided (used) by operating activities	<u>(568,151)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Taxes received	1,358,453
Grants received	50,925
Other expenses	<u>10,023</u>
Net cash provided (used) by noncapital financing activities	<u>1,419,401</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments related to the acquisition, construction and improvement of capital assets	(683,366)
Gain on sale of capital assets	<u>550</u>
Net cash provided (used) by capital and related financing activities	<u>(682,816)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>109,729</u>
Net cash provided (used) by investing activities	<u>109,729</u>
Net increase in cash and cash equivalents	278,163
Cash and cash equivalents - beginning	<u>5,828,273</u>
Cash and cash equivalents - ending	<u><u>\$ 6,106,436</u></u>

The notes to the financial statements are an integral part of this statement.

**County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005**

	<u>Enterprise Fund Airport</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (852,527)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	263,583
Increase in salaries and benefits payable	8,085
Decrease in accounts receivable	10,776
Increase in due to other governments	4,686
Decrease in deferred revenue	<u>(2,754)</u>
Net cash provided by operating activities	<u>\$ (568,151)</u>

The notes to the financial statements are an integral part of this statement.

**County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County Service Area No. 60 – Apple Valley Airport (CSA) – is a special district located within the County of San Bernardino. The CSA has governmental powers as established by the San Bernardino County Government Charter (County). The County was established in 1852 as a legal subdivision of the State of California.

The CSA was established by an act of the Board of Supervisors of the County of San Bernardino on December 19, 1966 to provide airport service to the Town of Apple Valley. Currently, the CSA administers control and staffs the airport, funding the operation and maintenance of the Apple Valley Airport. There is not an advisory commission for the CSA.

The CSA is a component unit of the County. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (i) the County has the ability to impose its will on the organization, or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The accompanying financial statements reflect only the accounts of County Service Area No. 60 and are not intended to present the financial position of the County taken as a whole.

Measurement focus, basis of accounting, and financial statement presentation

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the CSA enterprise funds is charges to customers for rental of hangars and other leases. Operating expenses for enterprise funds include the cost of salaries and benefits, services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash and cash equivalents include the cash balances of substantially all funds, which are pooled and invested by the County Treasurer to increase interest earnings through investment activities.

Investment activities are governed by the California Government Code Sections 53601, 53635, and 53638 and the County's Investment Policy. Authorized investments include U. S. Government Treasury and Agency securities, bankers' acceptances, commercial paper, medium term notes, mutual funds, repurchase agreements, and reverse repurchase agreements.

**County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Interest income, and realized gains and losses earned on pooled investments are deposited quarterly to the CSA's accounts based upon the District's average daily deposit balances during the quarter. Unrealized gains and losses of the pooled investments are distributed to the District annually. Cash and cash equivalents are shown at fair value as of June 30, 2005.

Receivables and payables

All accounts receivable are shown net of an allowance for uncollectibles when applicable.

Property taxes

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on the March 1 lien date and become delinquent with penalties on August 31.

Capital assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of one (1) year. Structures with an initial cost of \$100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Structures & improvements	5 – 45
Equipment and vehicles	6 – 15

County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Deferred Revenue

Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are recorded on the basic financial statements as deferred revenue. The CSA has deferred revenues of \$15,696 from rents and concessions at June 30, 2005.

Net assets

Net assets comprise the various net earning from operating and non-operating revenues, expenses and contribution of capital. Net assets are classified in the following three components:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations, of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net assets consist of net assets of the CSA that are not restricted for any project or other purpose.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2: OTHER RECEIVABLE

The CSA entered into three separate agreements with Apple Valley Ranchos Water Company (Utility) to construct distribution facilities for the purpose of furnishing public utility water service to the Apple Valley Airport. The CSA advanced the amount of \$215,523 to cover the cost of these facilities. The CSA is reimbursed by the Utility 2 1/2 percent of the cost per year for 40 years. The current amount outstanding at June 30, 2005, is \$149,063. Of this amount \$5,388 is the current receivable and \$143,675 is the noncurrent other receivable.

NOTE 3: CAPITAL ASSETS

The statement of net assets includes those capital assets among the assets of County Service Area No. 60 as a whole, and their original costs are expensed annually over their useful lives. Capital assets activities during the year are as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets, not being depreciated:				
Land	\$ 3,076,135	\$ -	\$ -	\$ 3,076,135
Construction in Progress	480,183	633,641	-	1,113,824
Total capital assets, not being depreciated	<u>3,556,318</u>	<u>633,641</u>	<u>-</u>	<u>4,189,959</u>
Capital assets, being depreciated:				
Land Improvements	3,740,428		-	3,740,428
Structures	1,618,148	57,858	-	1,676,006
Equipment and Vehicles	284,645	48,030	-	332,675
Total capital assets, being depreciated	<u>5,643,221</u>	<u>105,888</u>	<u>-</u>	<u>5,749,109</u>
Less accumulated depreciation for:				
Land Improvements	(1,249,440)	(182,297)	-	(1,431,737)
Structures	(904,141)	(54,628)	-	(958,769)
Equipment and Vehicles	(209,337)	(26,658)	-	(235,995)
Total accumulated depreciation	<u>(2,362,918)</u>	<u>(263,583)</u>	<u>-</u>	<u>(2,626,501)</u>
Total capital assets, being depreciated, net	<u>3,280,303</u>	<u>(157,695)</u>	<u>-</u>	<u>3,122,608</u>
Capital assets, net	<u><u>\$ 6,836,621</u></u>	<u><u>\$ 475,946</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,312,567</u></u>

**County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

NOTE 3: CAPITAL ASSETS – Continued

Construction in Progress

Construction in progress represents the following projects:

<u>Project Title</u>	<u>Budget</u>	<u>YTD Expenses</u>	<u>Projected Completion Date</u>
South Ramp Hangar Development	\$ 3,176,969	\$ 994,105	2006
Public Restroom Facility	118,577	14,864	2006
Nested T-hangers	1,217,670	32,292	2006
Airport Layout Plan	66,667	115	2006
Asphalt Construction	406,011	24,732	2005
South Ramp & Taxiway Reconstruction	270,770	36,026	2006
Terminal Complex Improvement	40,000	11,690	2006
		<u>\$ 1,113,824</u>	

NOTE 4: RETENTIONS PAYABLE

The District retains 10% of construction contracts until contracts are completed and approved. All retentions payable as of June 30, 2005 are related to the construction phase of the South Ramp Hangar Development. At June 30, 2005, the District's Retentions Payable balance was \$41,365.

NOTE 5: RETIREMENT PLAN

Plan Description

The San Bernardino County Employees' Retirement Association (SBCERA) is a cost-sharing multiple-employer defined benefit pension plan (Plan) operating under the California County Employees Retirement Act of 1937 (1937 Act). It provides retirement, death, and disability benefits to members. Although legally established as a single employer plan the City of Big Bear Lake, the City of Chino Hills, the California State Association of Counties, the San Bernardino County Law Library, Crest Forest Fire Protection District, Mojave Desert Air Quality Management District (MDAQMD), and the South Coast Air Quality Management District (AQMD), were later included, along with the County of San Bernardino (County), and are collectively referred to as the "Participating Members". The plan is governed by the San Bernardino Board of Retirement under the 1937 Act. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd floor, San Bernardino, California 92415-0014.

Fiduciary Responsibility

The Retirement Association is controlled by its own board, the Retirement Board, which acts as a fiduciary agent for the accounting and control of member and employee

**County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

NOTE 5: RETIREMENT PLAN – *Continued*

contributions and investment income. The Retirement Association publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. The Retirement Association is also a legally separate entity from the County and not a component unit. For these reasons, the County's Comprehensive Annual Financial Report excludes the Retirement Association pension trust fund as of June 30, 2005.

Funding Policy (*Amounts reported in thousands*)

Participating members are required by statute (Sections 31621, 31621.2 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). Members are required to contribute 8.37% - 12.28% for general members and 10.23% - 14.24% for safety members, of their annual covered salary of which the County pays approximately 7%. County of San Bernardino employer contribution rates are as follow: County General 8.44%, County safety 18.01%. All employers combined are required to contribute 14.01% of the current year covered payroll. For 2005, the County's annual pension cost of \$141,450 was equal to the County's required and actual contributions. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Sections 31453 of the 1937 Act.

The County's annual pension cost and prepaid asset, computed in accordance with GASB 27, Accounting for Pensions by State and Local Governmental Employers, for the year ended June 30, 2005, were as follows:

Annual Required Contribution (County fiscal year basis)	\$ 141,450
Interest On Pension Assets	(34,779)
Adjustment To The Annual Required Contribution	38,135
Annual Pension Cost	<u>144,806</u>
Annual Contributions Made	<u>141,450</u>
Increase/(Decrease) in Pension Assets	(3,356)
Pension Asset, Beginning of Year (As Restated)	848,238
Pension Asset, End of Year	<u><u>\$ 844,882</u></u>

The following table shows the County's required contributions and percentage contributed, for the current year and two preceding years:

County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 5: RETIREMENT PLAN – *Continued*

Year Ended June 30,	Annual Pension Cost		Percentage Contributed
	SBCERA	County	
2003	\$ 68,361	\$ 59,673	100%
2004	652,325	540,106	100%
2005	161,906	141,450	100%

The County, along with the AQMD, issued Pension Refunding Bonds (the Bonds) in November 1995 with an aggregate amount of \$420,527. These Bonds were issued to allow the County and the AQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266. The current amount outstanding at June 30, 2005 is \$439,539.

On June 24, 2004, the County issued its County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), its County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and its County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds) in a respective aggregate principal amounts of \$189,070, \$149,825, and \$125,000. The Bonds were issued to finance the County's share of the unfunded accrued actuarial liability of the S.B.C.E.R.A. The current amount outstanding at June 30, 2005 is \$463,895.

NOTE 6: FEDERAL AND STATE GRANTS

From time to time the CSA may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds.

NOTE 7: SELF INSURANCE

The County has self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$1 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$25 million is provided through a Risk Pool Agreement with California State Association of Counties (CSAC) Excess Insurance Authority (EIA) Liability Program II.

County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 7: SELF INSURANCE - *Continued*

Workers' compensation claims are self-insured up to \$2 million per occurrence, and covered by CSAC EIA for up to \$10 million for employer's liability, and up to \$50 million for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25,000 deductible, and insured with CSAC EIA Property Program.

The County supplements its self-insurance for medical malpractice claims with CSAC EIA, which provides annual coverage on a claim made form basis with a SIR of \$1 million for each claim. Maximum coverage under the policy is \$11.5 million per claim with an additional \$10 million in limits provided by the CSAC EIA General Liability II Program.

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, also with CSAC EIA with a \$100,000 deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in the Risk Management Division (Division) except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The IBNR and IBNS liabilities stated on the Division's balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 3.50%. It is the Division's practice to obtain actuarial studies on an annual basis.

The Division has a risk management investment program agreement with the Bank of New York to finance the self-insured general liability, automobile liability, workers' compensation, and medical malpractice programs. The Division's investment in the agreements totaled \$47.3 million at June 30, 2005.

The total claims liability of \$115.7 million reported at June 30, 2005 is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the claims liability amount in fiscal years 2004 and 2005 were:

County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 7: SELF INSURANCE - Continued

Fiscal Year	Beginning of Fiscal Year Liability (in thousands)	Current-Year Claims and Changes in Estimates (in thousands)	Claims Payments (in thousands)	Balance at Fiscal Year-End (in thousands)
2003-04	\$93,802	\$45,128	(\$37,221)	\$101,709
2004-05	\$101,709	\$44,309	(\$30,304)	\$115,714

NOTE 8: TRANSFERS IN/OUT

Interfund Transfers In/Out transactions are used to close out a fund, reimburse an operating fund, and transfer cash between operating funds and capital project funds. For year ended June 30, 2005, the CSA made the following Interfund Transfers In and Out:

Fund	Purpose	Amount
RJF	Transfer of funds from RAI	\$ 38
REE	Transfer of funds from RAI	985,707
REF	Transfer of funds from RAI	238,327
RAI	Transfer of funds to capital projects funds	(1,224,072)
RJF	Opening of a new fund	55,000
RJG	Opening of a new fund	40,000
RAI	Transfer of funds to RJF & RJG	(95,000)
RJF	Transfer to operating fund	57,858
EBJ	Transfer from capital fund	(57,858)
RHK	Transfer to operating fund	31,753
EBJ	Transfer from capital fund	(31,753)
EBJ	Operating transfer in	5,388
RAI	Operating transfer out	(5,388)
RAI	Operating transfer in	535,715
EBJ	Operating transfer out	(535,715)
Net Interfund Transfers		\$ -

**County of San Bernardino
County Service Area No. 60 - Apple Valley Airport
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005**

NOTE 9: SUBSEQUENT EVENTS

On February 17, 2005, the Town of Apple Valley (the Town) withdrew their application for dissolution of County Service Area 60 (CSA 60) from the Local Agency Formation Commission (LAFCO). The application for dissolution had previously been submitted by the Town on February 4, 2004 in which they requested permission to assume management and control over operations of the Apple Valley Airport. CSA 60's boundary covers four cities, Apple Valley, Victorville, Adelanto and Hesperia and a large unincorporated area of the County. Taxes to support CSA 60 are derived from all of these cities and communities. To support the proposed venture, The Town had asked that the entire tax base be transferred to the Town if CSA 60 were dissolved. The cities had objected, and the County Board of Supervisors recommended returning the ad valorem taxes collected in each city jurisdiction to those cities.

The Town has announced that it no longer plans to acquire the Apple Valley Airport, and believes this issue will be revisited some time in the future.